

Human Resource Management System Compensation Process Review

Audit Services

November 24, 2017

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Transmittal Letter

January 18, 2018

Sandra Austin
Director, Human Resources
74 West Seymour Street
Kamloops, BC V2C 1E2

Dear Sandy:

Re: HRMS Compensation Process Review

Attached is Audit Services' report on the Human Resources Management System (HRMS) compensation process review.

Our findings herein include recommendations that address the corresponding risk topics. Management agreed with our recommendations and developed appropriate response plans to address the items identified.

We thank the management and staff of the Human Resources group for their cooperation and assistance during this audit.

Sincerely,



Gurmit Aujla CPA, CA, CIA, CRISC, CRMA
Director, Internal Audit

cc: Jamie Callahan, Vice-President, Human Resources
Rob Annett, Manager Total Rewards & HRMS

Introduction

SuccessFactors is BCLC's enterprise wide Human Resource Management System (HRMS). It is a repository of core employee data and has multiple modules that enable the organization to systematically manage a variety of human resource functions.

In the prior years, Audit Services has been engaged in various activities with SuccessFactors from project management phase to the system operational stage. Our prior involvement includes but was not limited to: project artifacts review, user acceptance testing, pre- and post-implementation review on selected system modules, and role-based permission review.

During the previous fiscal year, BCLC completed an integration between SuccessFactors and SAP systems to process the merits, holdbacks and other compensation changes. This integration allows the employee compensation data in SuccessFactors to be fed into SAP for payroll processing. It is critical to ensure that the data flows completely and accurately between the two systems, and that the two systems align with each other in terms of compensation information for each employee. Therefore, Audit Services performed a review to understand the integrated compensation process and to assess the control effectiveness and efficiency of this environment.

In the future, Audit Services anticipates performing a further engagement that involves testing the integrity of employee data stored in HRMS.

Statement of Objectives

The objective of this review is:

- To gain an understanding of the overall process and identify the control activities
- To assess the efficiency and effectiveness of the control environment and identify any area of risks and opportunities for improvement

Statement of Scope

The scope of this engagement includes a review of the overall practice involving the integration between HRMS and SAP to process merit, holdback and other compensation changes.

Statement of Methodology

We performed the following procedures during the review:

- Interviews, discussions and inquiries with key personnel from the Total Rewards & HRMS team
- Reviewed the BCLC Human Resources' compensation process manuals
- Presented recommendations on the opportunities for improvements

Findings identified were communicated to the Human Resource management for validation and agreement. We also worked with management to determine the response plan that would address these findings.

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Audit Conclusions

Based on the audit work performed, Audit Services identified four findings and communicated the results to the management team of Total Rewards and HRMS. The details of these findings are included in the Audit Findings section below. Although there are risks associated with the findings presented below, compensating controls are in place to mitigate the risk.

Acknowledgements

We wish to acknowledge the participation, assistance and cooperation received from management and staff during this review. Audit Services was given full access to all resources and information required to complete this review.

Audit Findings

Following are the issues that we identified during our work along with associated recommendations to address these issues. To assist management in prioritizing actions plans in response to our recommendations, we have categorized each issue by level of risk, using the following scale:

- High – Issue should be addressed and resolved immediately.
- Moderate – Issue requires management attention and should be addressed and resolved within a reasonable time period.
- Low – Issue is of lesser significance that is administrative in nature.

1. A MAJORITY OF CONTROLS IN CHECKS AND RECONCILIATIONS ARE PERFORMED OUTSIDE THE SYSTEMS (SF AND SAP) AND MANUALLY ON EXCEL SPREADSHEET BY TOTAL REWARDS ADVISOR. (MODERATE)

Finding

Audit Services noted that most of the verifications and validations happened outside the SuccessFactors (SF) and SAP systems. Employee personnel and compensation data was exported to various excel spreadsheets for Total Rewards Advisor to perform future review, and the changes were manually adjusted to SAP and SF.

Recommendation

Audit Services recommends implementing a combination of manual and automated controls in checks and reconciliations. We recommend exploring SF functions such as pop-up warning messages on key Human Resources changes (acting pay ends, return from mat leave, etc.) that might trigger compensation changes in SF and SAP systems.

Management Response

Management agrees with the finding and accepts the recommendation. Due to the fluid nature of HR changes and process, manual controls are still needed and relied upon to perform checks and validations. The business unit agreed to look into creating business rules for warning message. As compensating controls, the Total Rewards team will implement a rigorous manual validation process, and will also strengthen the planning for annual holdback and merit increase process by identifying and including all the stakeholders, as well as making sure they acquire a clear understanding of processing rules and exceptions to the processing rules.

2. PASSWORD WAS NOT ENFORCED ON SOME CRITICAL SPREADSHEETS USED FOR VALIDATION AND RECONCILIATION. (MODERATE)

Finding

Employee personal and confidential payroll information was exported to excel spreadsheets for validation and reconciliation but the spreadsheets were not password protected.

Recommendation

Audit Services recommends that management enforce passwords to the spreadsheets that contain sensitive and confidential employee information and restrict the access to these spreadsheets only to personnel who perform the specific responsibilities.

Management Response

Management agrees with the finding and accepts the recommendation. Business unit will enforce password on the spreadsheets containing confidential information. As a compensating control, these spreadsheets are saved on the BCLC internal shared drive with access restricted to the Human Resources personnel.

3. THERE WAS A COMMUNICATION GAP AMONG STAKEHOLDERS OF THE COMPENSATION PROCESS. (MODERATE)

Finding

Audit Services noted that the Total Rewards and the Payroll groups did not share sufficient compensation information for comprehensive cross checking. Both groups would benefit from a certain level of information sharing.

Recommendation

Audit Services recommends Total Rewards share actual salary bankroll amount for merit and holdback with Payroll so Payroll can perform an additional layer of verification before the amount is paid out.

Management Response

Management agrees with the finding and accepts the recommendation. The business unit is in the process of implementing this recommendation. The Manager, Total Rewards and HRMS, has discussed the information sharing plan with the Manager, Payroll. As a compensating control, the HR Merit and Holdback Process manuals were updated in November 2017 to include the new template and eligibility rules. These manuals are updated on an as-needed basis and are distributed to the owners of the compensation process.

4. SOME KEY DOCUMENTS WERE NOT PROPERLY FILED FOR FUTURE REFERENCE. (MODERATE)

Finding

Audit Services noted some of the critical spreadsheets (for validation and reconciliation) have multiple versions on shared drive, and some prior years' documents cannot be located on shared drive.

Recommendation

Audit Services recommends that management refine the document management system to ensure that files are labelled by date and filed in logical order into consistent folders, and ideally only finalized copies are retained on the shared drive.

Management Response

Management agrees with the finding and accepts the recommendation. The business unit will implement a logical document filing method. As a remediating action, the Total Rewards team retrieved the prior years' documents that could not be located during our review process.

Return to Player Settings Audit – Q4 Grand Villa Casino

Audit Services

January 11, 2018

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Transmittal Letter

March 20, 2018

Garth Pieper
Director, Operations
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Pieper,

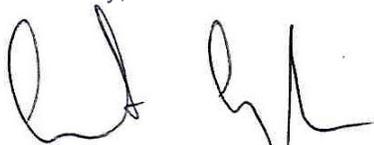
Re: Return to Player (RTP) Audit – Grand Villa Casino

Attached is Audit Services' audit report on the RTP testing which occurred at Grand Villa Casino on November 22, 2017 and January 11, 2018. The scope of our audit focused specifically on the RTP settings at Grand Villa Casino for a selected sample of slot machines.

Grand Villa has 1,199 slot machines in total. During our initial testing on November 22, 2017, we noted one out of the 125 slot machines tested had error in the RTP setting. The Senior Technician corrected the setting immediately on November 22, 2017. We then increased the sample size by 100 slot machines, which were tested on January 11, 2018. No exceptions were noted during this subsequent testing. Audit Services also investigated the possible root cause of the exception found during the initial testing and discussed with Casino Operation Management the improvement of business practices to reduce the chances of future exceptions.

We would like to thank management and staff of Grand Villa Casino for their cooperation and assistance during this audit.

Sincerely,



Gurmit Aujla, CPA, CA, CIA, CRISC, CRMA
Director, Internal Audit

cc: Kevin Sweeney, Director Security, Privacy and Compliance
Tom Maryschak, Senior Manager Casino Operations
Brett Lawrence, Regional Manager
Gurpreet Basra, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2017-2018. These audits are to ensure the settings were set correctly based on information provided by the Casino and Community Gaming Product Team. RTP is the term the gaming industry uses to describe the percentage of all the wagered money a slot machine will pay back to players over time.

Statement of Objectives

Audit Services' objective through this engagement was to test the RTP settings at Grand Villa Casino on randomly selected slot machines. The machines' current RTP settings were compared to the master data information looking for any discrepancies.

Statement of Scope

This audit is one component of several RTP audits scheduled to occur each fiscal quarter. The scope of these engagements includes the review of slot machine settings at various casinos and CGCs in the province for the period April 1, 2017 to March 31, 2018.

Statement of Methodology

Our methodology and approach included:

- Tested RTPs of randomly selected slot machines
- Confirmed/matched the RTP from slot machines to Master Data; rCasino database and/or Probability Accounting Reports (PAR) sheets (a PAR sheet details how a particular slot machine is programmed)
- Interviews & inquiries
- Identified process weaknesses, risks and controls

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and loss of knowledge. At Grand Villa Casino, the BCLC staffing component consists of a Manager Business Operations, one Senior Technician and seven Technicians. We noted during this audit, that the BCLC staff at Grand Villa Casino has a minimal staff turnover rate.

Conclusion

Audit Services noted one exception in the 125 machines tested on November 22, 2017. The Technician corrected the RTP setting immediately on November 22, 2017. No exceptions were noted during the subsequent testing of an additional 100 machines on January 11, 2018. Audit Services will continue working with the Casino Division to enhance the control environment for slot machines RTP settings.

Acknowledgements

We wish to thank management and staff for their participation, assistance and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.

Return to Player Settings Audit – Q4 Hard Rock

Audit Services

January 18, 2018

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Transmittal Letter

March 20, 2018

Garth Pieper
Director, Operations
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Pieper,

Re: Return to Player (RTP) Audit – Hard Rock

Attached is Audit Services' audit report on the RTP testing which occurred at Hard Rock on November 21, 2017 and January 18, 2018. The scope of our audit focused specifically on the RTP settings at Hard Rock for a selected sample of slot machines.

Hard Rock has 920 slot machines in total. During our initial testing on November 21, 2017, we noted one out of the 56 slot machines tested had error in the RTP setting. The Senior Technician corrected the setting immediately on November 21, 2017. We subsequently increased the sample size by an additional 100 slot machines, which were tested on January 18, 2018. During the course of the subsequent testing, we noted that one of the 100 machines tested had error; the Senior Technician corrected the setting immediately on January 18, 2018. Based on these results, Audit Services investigated the possible root cause of these exceptions and discussed with Casino Operation Management the improvement of business practices to reduce the chances of future exceptions. We plan to re-visit Hard Rock within approximately six months for further RTP testing.

We would like to thank management and staff of Hard Rock for their cooperation and assistance during this audit.

Sincerely,



Gurmit Aujla, CPA, CA, CIA, CRISC, CRMA
Director, Internal Audit

cc: Kevin Sweeney, Director Security, Privacy and Compliance
Tom Maryschak, Senior Manager Casino Operations
Laurie Stewart, Regional Manager, Operations
Bal Bains, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2017-2018. These audits are to ensure the settings are set correctly based on information provided by the Casino and Community Gaming Product Team. RTP is the term the gaming industry uses to describe the percentage of all the wagered money a slot machine will pay back to players over time.

Statement of Objectives

Audit Services' objective through this engagement was to test the RTP settings at Hard Rock on randomly selected slot machines. The machines' current RTP settings were compared to the master data information looking for any discrepancies.

Statement of Scope

This audit is one component of several RTP audits scheduled to occur each fiscal quarter. The scope of these engagements includes the review of slot machine settings at various casinos and CGCs in the province for the period April 1, 2017 to March 31, 2018.

Statement of Methodology

Our methodology and approach included:

- Tested RTPs of randomly selected slot machines
- Confirmed/matched the RTP from slot machines to Master Data; rCasino database and/or Probability Accounting Reports (PAR) sheets (a PAR sheet details how a particular slot machine is programmed)
- Interviews & inquiries
- Identified process weaknesses, risks and controls

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and loss of knowledge. At Hard Rock, the BCLC staffing component consists of a Manager of Business Operations, one Senior Technician and seven Technicians. We noted during this audit, that the BCLC staff at Hard Rock has a minimal staff turnover rate.

Conclusion

Audit Services noted one exception out of the 56 machines tested on November 21, 2017 and one exception out of the additional 100 machines tested on January 18, 2018. The Senior Technician corrected the RTP settings immediately on the day the exceptions were noted. Audit Services will work with the Casino Division to enhance the control environment for slot machines RTP settings.

Acknowledgements

We wish to thank management and staff for their participation, assistance and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.

Return to Player Settings Audit – Q4 Treasure Cove

Audit Services

January 24, 2018

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Transmittal Letter

March 20, 2018

Garth Pieper
Director, Operations
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Pieper,

Re: Return to Player (RTP) Audit – Treasure Cove

Attached is Audit Services' audit report on the RTP testing which occurred at Treasure Cove on January 24, 2018. The scope of our audit focused specifically on the RTP settings at Treasure Cove for a selected sample of slot machines.

Treasure Cove has 539 slot machines in total. During our initial testing on January 24, 2018, we noted one of the 100 slot machines tested had an error in the RTP setting. The Senior Technician corrected the setting immediately on January 24, 2018. We tested an additional 50 slot machines with no exceptions found during the subsequent testing. Audit Services investigated the possible root cause of the exception noted during the initial testing and discussed with Casino Operation Management the improvement of business practices to reduce chances of future exceptions.

We would like to thank management and staff of Treasure Cove for their cooperation and assistance during this audit.

Sincerely,



Gurmit Aujla, CPA, CA, CIA, CRISC, CRMA
Director, Internal Audit

cc: Kevin Sweeney, Director Security, Privacy and Compliance
Tom Maryschak, Senior Manager Casino Operations
Ken Bach, Regional Manager
Lorenzo Paragallo, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2017-2018. These audits are to ensure the settings were set correctly based on information provided by the Casino and Community Gaming Product Team. RTP is the term the gaming industry uses to describe the percentage of all the wagered money a slot machine will pay back to players over time.

Statement of Objectives

Audit Services' objective through this engagement was to test the RTP settings at Treasure Cove on randomly selected slot machines. The machines' current RTP settings were compared to the master data information looking for any discrepancies.

Statement of Scope

This audit is one component of several RTP audits scheduled to occur each fiscal quarter. The scope of these engagements includes the review of slot machine settings at various casinos and CGCs in the province for the period April 1, 2017 to March 31, 2018.

Statement of Methodology

Our methodology and approach included:

- Tested RTPs of randomly selected slot machines
- Confirmed/matched the RTP from slot machines to Master Data; rCasino database and/or Probability Accounting Reports (PAR) sheets (a PAR sheet details how a particular slot machine is programmed)
- Interviews & inquiries
- Identified process weaknesses, risks and controls

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and loss of knowledge. At Treasure Cove, the BCLC staffing component consists of a Manager Business Operations, one Senior Technician and three Technicians. We noted during this audit, that the BCLC staff at Treasure Cove has a minimal staff turnover rate.

Conclusion

Audit Services noted one exception on the 100 machines initially tested and no exceptions on the 50 additional machines subsequently tested, both performed on January 24, 2018. The Technician corrected the RTP setting immediately on January 24, 2018. Audit Services will continue working with the Casino Division to enhance the control environment for slot machines RTP settings.

Acknowledgements

We wish to thank management and staff for their participation, assistance and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.

Return to Player Settings Audit – Q4 Chances Kelowna

Audit Services

February 1, 2018

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Transmittal Letter

March 20, 2018

Garth Pieper
Director, Operations
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Pieper,

Re: Return to Player (RTP) Audit – Chances Kelowna

Attached is Audit Services' audit report on the RTP testing which occurred at Chances Kelowna on February 1, 2018. The scope of our audit focused specifically on the RTP settings at Chances Kelowna for a selected sample of slot machines.

During the course of our work conducted at Chances Kelowna, we noted that all 100 slot machines tested had their RTP settings set correctly. In total, Chances Kelowna has 323 slot machines.

We would like to thank management and staff of Chances Kelowna for their cooperation and assistance during this audit.

Sincerely,



Gurmit Aujla, CPA, CA, CIA, CRISC, CRMA
Director, Internal Audit

cc: Kevin Sweeney, Director Security, Privacy and Compliance
Tom Maryschak, Senior Manager Casino Operations
Ken Bach, Regional Manager
Trevor Sharkey, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2017-2018. These audits are to ensure the settings were set correctly based on information provided by the Casino and Community Gaming Product Team. RTP is the term the gaming industry uses to describe the percentage of all the wagered money a slot machine will pay back to players over time.

Statement of Objectives

Audit Services' objective through this engagement was to test the RTP settings at Chances Kelowna on randomly selected slot machines. The machines' current RTP settings were compared to the master data information looking for any discrepancies.

Statement of Scope

This audit is one component of several RTP audits scheduled to occur each fiscal quarter. The scope of these engagements includes the review of slot machine settings at various casinos and CGCs in the province for the period April 1, 2017 to March 31, 2018.

Statement of Methodology

Our methodology and approach included:

- Tested RTPs of randomly selected slot machines
- Confirmed/matched the RTP from slot machines to Master Data; rCasino database and/or Probability Accounting Reports (PAR) sheets (a PAR sheet details how a particular slot machine is programmed)
- Interviews & inquiries
- Identified process weaknesses, risks and controls

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and loss of knowledge. At Chances Kelowna, the BCLC staffing component consists of a Manager Business Operations and a Technician. We noted during this audit, that the BCLC staff at Chances Kelowna has a minimal staff turnover rate.

Conclusion

Audit Services found no RTP exceptions in the 100 machines tested on February 1, 2018.

Acknowledgements

We wish to thank management and staff for their participation, assistance and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.

Limiting Sports Wager Notification

Audit Services

February 28, 2018

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Transmittal Letter

March 27, 2018

Cameron Adams
Director, eGaming & Digital Experience
2940 Virtual Way
Vancouver, BC, V5M 0A6

Dear Mr. Adams,

Re: Limiting Sports Wager Notification Review

Attached is Audit Services' report on the review of Limiting Sports Wager Notification.

In response to a GPEB follow-up on the implementation of a PlayNow player notification system with regards to player-specific wager restriction imposed by BCLC, we completed a review of the notification system.

Based on our review, we conclude that the notification system is now implemented and confirm that the first Player Notification was sent on January 26, 2018 through the Player's "Customer Account Message".

We thank the management and staff of the PlayNow Sports department for their cooperation and assistance during this review.

Sincerely,



Gurmit Aujla CPA, CA, CIA, CRISC, CRMA
Director, Internal Audit

cc: Greg Paolini, Manager Enterprise Sports
Monica Bohm, VP, Digital & Enterprise Services
Jim Lightbody, President & CEO

Introduction

Limiting wagers for specific bettors is a normal practice in the Sports Betting Industry and PlayNow.com account rules clearly state that “BCLC may at all times and at its discretion refuse to allow any person to wager on PlayNow Sports Betting or limit the amount that may be wagered”. However, communication of restrictions, including wagering limits on PlayNow Sports bets, to players would help provide the public with confidence that BCLC is conducting and managing rules of play for gambling with integrity and transparency. Therefore, in a GPEB letter to BCLC on August 25, 2017, GPEB asked BCLC how and when a player notification process would be implemented regarding wager restriction/(s) imposed on their PlayNow.com account.

BCLC developed a notification system proposal, including a timeline for implementation, and communicated it to GPEB for feedback. GPEB agreed with the proposed notification system and implementation timeline (see attached BCLC proposal and GPEB letter):

- Upon application of any player-specific restriction, barring unforeseen circumstances BCLC, shall cause a direct communication to be sent to the impacted player within one to two working days of the application;
- At BCLC’s discretion, the direct communication to the impacted player shall come in the form of an email to the player’s registered email account, and/or a message to the player’s PlayNow Player account inbox; and
- The direct communication shall provide a statement of the player-specific restriction in question, including the option for players to call the BCLC customer support center should they have further questions.

Management requested Audit Services to review the proposed player notification system to ensure that it is implemented and functioning as intended.

Statement of Scope and Objective

The scope and objectives of this review were to ensure that the proposed player notification system is implemented, specifically:

- A direct communication is sent to the impacted player within one to two working days of the application;
- The direct communication to the impacted player shall come in the form of an email to the player’s registered email account, and/or a message to the player’s PlayNow Player account inbox; and
- The direct communication shall provide a statement of the player-specific restriction in question, including the option for players to call the BCLC customer support center should they have further questions.

Statement of Audit Standards

We conducted our engagement in accordance with professional standards issued by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Conclusion

Based on our review, we observed that the Notification System has been implemented. We also confirmed that the first notification was sent on January 26, 2018 when a Player's sports wager was reduced to less than 75% of normal level. For this Player, we confirmed that a direct email was sent to his PlayNow Player Account inbox within two working days after reducing the maximum wager limits for bets on PlayNow Sports and the player was given the option to contact BCLC customer support with any questions.

Management agrees that Audit Services will review future qualified reductions in Players' wagers to ensure that impacted Players are appropriately notified.

Acknowledgement

We wish to thank management and staff for their participation, assistance and cooperation during this review. Audit Services was given full access to all resources and information required to complete this engagement.

British Columbia Lottery Corporation (BCLC) response to
Gaming Policy and Enforcement Branch (GPEB) letter regarding

Limiting of PlayNow Sports Wagers

Background / History

A letter dated 25 August 2017 was submitted by John Mazure, Assistant Deputy Minister & General Manager of GPEB, to Jim Lightbody, CEO & president of BCLC, which explained that 1) GPEB understands that limiting wagers for individual bettors is a normal practice in the sports betting industry and that PlayNow account rules clearly state that the BCLC may do so, and 2) GPEB is requesting that BCLC implement a system to ensure that PlayNow players are informed in the event of such restrictions being applied to their sports wagering.

BCLC Interpretation of GPEB Request

Based on the GPEB letter dated 25 August 2017, BCLC has been requested to provide GPEB with a description of “how and when BCLC will implement a process of notifying customers about wager restrictions”. In an effort to frame / define the requirement, BCLC offers the following interpretation of GPEB’s request:

- With respect to general PlayNow sports wagering restrictions that are not tailored to any particular / individual PlayNow player (e.g.: site-wide restrictions, sport or event-specific restrictions, the Criminal Code ‘Parlay rule’, etc...), the requirement to notify customers about such restrictions is satisfied through the existing information already present within 1) the sports wagering rules posted on PlayNow, and 2) the automated message / feedback provided to the player via the betslip when the player attempts to place a sports wager that exceeds one or more restrictions.
Note: *These types of restrictions are hereafter referred to as “default restrictions”;*
- With respect to sports wagering restrictions that are tailored to a particular / individual PlayNow player, these types of restrictions may* require a direct communication to the impacted player.
Note: *These types of restrictions are hereafter referred to as “player-specific restrictions”;*

* A player-specific restriction requires a direct communication to the impacted player only where it is set or changed in such a way as to represent a decreased limit. For example, if a player-specific restriction would result in a change to the player’s maximum permissible wager on a particular sport from \$100 to \$50, then this requires a direct communication to that player; however, if a player-specific restriction would result in a change to the player’s maximum permissible wager on a particular sport from \$50 to \$100, then this does not require a direct communication to that player. Furthermore, since BCLC & PaddyPower typically use minor player-specific restrictions as a method of ‘flagging’ player accounts for increased visibility in ongoing monitoring and reporting, only those player-specific restrictions to less than 75% of the default restriction shall trigger the requirement for a direct communication. It should be noted that in the majority of cases such minor restrictions have little or no impact on actual player wagering patterns, and may even go unnoticed.

- In order to sufficiently protect BCLC via limitation of liability, there are instances where it is prudent for BCLC to apply player-specific restrictions as quickly as possible. In such cases, it is understood and accepted that the corresponding direct communication to the impacted player may take place at the earliest feasible opportunity. For example, where a player-specific restriction is applied over the weekend, it may not be feasible to provide the direct communication to the impacted player until the following one to two workdays.

Assuming that the interpretation offered above is correct, the following section conveys how BCLC intends to comply with GPEB’s request.

Communication of Player-Specific Restrictions

BCLC intends to implement the following system for ensuring that PlayNow players are informed in the event of player-specific restrictions being applied:

- Upon application of any player-specific restriction that meets the criteria set forth above, barring unforeseen circumstances BCLC shall cause a direct communication to be sent to the impacted player within one to two working days of the application;
- At BCLC's discretion, the direct communication to the impacted player shall come in the form of an email to the player's registered email account, and / or a message to the player's PlayNow player account inbox; and
- The direct communication shall provide a statement as to the player-specific restriction in question, including the option for players to call the BCLC customer support centre should they have further questions.

Conclusion

BCLC submits that the proposed approach to accomplishing the communication of player-specific restrictions meets or exceeds the general intent of GPEB's request.

BCLC invites GPEB to provide feedback as to the proposed interpretation and approach. For further information, GPEB may contact the following individuals:

- Noah Turner, Manager, Technical Compliance (nturner@bclc.com), and
- Cameron Adams, Director, eGaming and Digital Experience (cadams@bclc.com).

The proposed approach could be implemented at BCLC within four to eight weeks of GPEB agreement.



Know your limit, play within it.

October 17, 2017

542125

Jim Lightbody
CEO and President
British Columbia Lottery Corporation
2940 Virtual Way
Vancouver, BC, V5M 0A6

Re: Limiting of Sports Wagers

Dear Mr. Lightbody,

I have received your October 11, 2017 response to my August 25, 2017 letter regarding limiting of sports wagers on PlayNow.com.

In my August 25, 2017 letter I requested to know how and when BCLC will implement a process of notifying customers about wager restrictions on their PlayNow.com accounts. In your October 11, 2017 response, you indicated, that you intended to implement a system for ensuring that PlayNow players were informed in the event that player-specific restrictions were applied by BCLC.

This system included the following:

- Upon application of any player-specific restriction, barring unforeseen circumstances BCLC, shall cause a direct communication to be sent to the impacted player within one to two working days of the application;
- At BCLC's discretion, the direct communication to the impacted player shall come in the form of an email to the player's registered email account, and /or a message to the player's PlayNow Player account inbox; and
- The direct communication shall provide a statement of the player-specific restriction in question, including the option for players to call the BCLC customer support centre should they have further questions.

The system proposed in your October 11, 2017 response appears to be a reasonable remedy in ensuring that customers are notified about wager restrictions on their PlayNow.com accounts. I appreciate your commitment to implementing this approach within four to eight weeks.

Please contact me if further clarification is required.

Sincerely,

John Mazure
GM and Assistant Deputy Minister
Gaming Policy and Enforcement Branch